

BEFORE THE TENNESSEE REGULATORY AUTHORITY AT

NASHVILLE, TENNESSEE

July 14, 2000

IN RE:)
)
GENERIC DOCKET ADDRESSING) **DOCKET NO. 00-00523**
RURAL UNIVERSAL SERVICE)
)
)

**ORDER OPENING DOCKET FOR PURPOSE OF ADDRESSING RURAL UNIVERSAL
SERVICE AND APPOINTING HEARING OFFICER**

At a regularly scheduled Authority Conference on June 20, 2000, the Directors voted unanimously to open a docket for the purpose of addressing Rural Universal Service.

History

In 1995, the Tennessee General Assembly passed laws to facilitate competition in the telecommunication market. Realizing that the conversion from a monopolistic to a competitive environment could affect local rates set during rate of return regulation, the General Assembly enacted Tenn. Code Ann. § 65-5-207 which states: "Universal service, consisting of residential basic local exchange telephone service at affordable rates and carrier-of-last-resort obligations must be maintained after the local telecommunications markets are opened to competition."

The federal government also addressed the need for Universal Service. Section 254 of Telecommunications Act of 1996 ("the Act") states:

Consumers in all regions of the Nation, including low-income consumers and those in rural, insular, and high cost areas, should have access to telecommunications and information services, including interexchange services and advanced telecommunications and information services, that are reasonably

comparable to those services provided in urban areas and that are available at rates that are reasonably comparable to rates charged for similar services in urban areas.

47 U.S.C. § 254(b)(3). Although this section applies to Federal Universal Service, it also provides guidance to states. Specifically the Act provides:

A State may adopt regulations not inconsistent with the Commission's rules to preserve and advance universal service. Every telecommunications carrier that provides intrastate telecommunications services shall contribute, on an equitable and nondiscriminatory basis, in a manner determined by the State to the preservation and advancement of universal service in that State. A State may adopt regulations to provide for additional definitions and standards to preserve and advance universal service within that State only to the extent that such regulations adopt additional specific, predictable, and sufficient mechanisms to support such definitions or standards that do not rely on or burden Federal universal service support mechanisms.

Id. § 234(f).

In 1997, the Authority opened *Universal Service Generic Contested Case*, Docket No. 97-00888, for the purpose of gathering information and determining the need for a state Universal Service Fund. The Authority limited Docket No. 97-00888 to non-rural areas after recognizing the differences between rural and non-rural providers and adopted the recommendation of the Pre-Hearing Officer that “[s]ervice cost issues for rural companies will be considered at a later date to coincide with similar proceedings at the FCC.” *Universal Service Generic Contested Case*, Docket No. 97-00888, at 8, Report and Recommendation (October 1, 1997).

Findings and Conclusions

In reaching its decision to open a Universal Service docket for rural areas, the Authority considered the history of Universal Service and made additional findings and conclusions. First, the Authority recognized the imminent threat of competition to Independent Incumbent Local Exchange Carriers (“Independent ILECs”). Other telecommunication service providers have filed

petitions with the Authority in regard to entering rural areas. Such entry could place a burden on the earnings of Independent ILECs thereby necessitating rate increases for rural customers.

Second, the Authority noted that the breakdown of the intraLATA toll settlement process between BellSouth Telecommunications, Inc. ("BellSouth") and Independent ILECs is yet another reason for initiating a generic Rural Universal Service docket. Specifically, the Authority recognized that it has received notification that settlement contracts and agreements between BellSouth and Independent ILECs are being withdrawn. While retail intraLATA toll rates have declined since the divestiture of AT&T, these settlements have maintained the stability of Independent ILECs during such decline. If BellSouth does withdraw the current settlement agreements, the Independent ILECs' earnings may decrease resulting in pressure on local rates. In addition, each Independent ILEC will have to establish its own intraLATA toll rates.

The Directors also voted unanimously to appoint Chairman Malone as the Hearing Officer for the purpose of preparing this matter for consideration by the Directors. In addition, the Directors voted to have the Executive Secretary send copies of the Authority's decisions in Docket No. 97-00888 to rural companies¹ and invite rural companies to file comments on the applicability of the decisions in Docket No. 97-00888 to this docket by August 1, 2000. Finally, the Directors requested that BellSouth notify the Authority of any future changes in the intraLATA toll settlements.

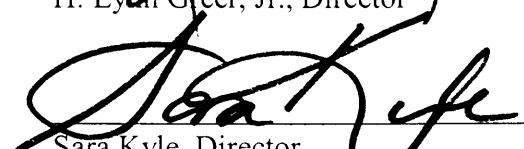
¹ For the purposes of this docket, "rural companies" shall include: Adamsville Telephone Co., Ardmore Telephone Co., Citizens Telecommunications Company of Tennessee, Citizens Telecommunications Company of the Volunteer State, Claiborne Telephone Co., Crockett Telephone Co., Humphreys Telephone Co., Loretto Telephone Co., Millington Telephone Co., Ooltewah/Collegedale Telephone Co., Peoples Telephone Co., Tellico Telephone Co., Tennessee Telephone Co., United Telephone Co., and West Tennessee Telephone Co.

IT IS THEREFORE ORDERED THAT:

1. With the entry of this Order, a docket is hereby opened for the purpose of addressing Rural Universal Service in Tennessee.
2. Chairman Malone is hereby appointed to serve as Hearing Officer in this docket for the purpose of preparing this matter for consideration by the Directors.
3. The Executive Secretary shall distribute copies of the Tennessee Regulatory Authority's decisions in Docket No. 97-00888 to rural companies and invite rural companies to file comments on the applicability of the decisions in Docket No. 97-00888 to this docket by August 1, 2000.
4. All rural companies listed in footnote 1 shall be considered parties to this action unless the rural company provides written notice to the Tennessee Regulatory Authority that it will not participate in the proceeding by August 1, 2000.
5. BellSouth shall inform the Authority of any future changes in the intraLATA toll settlements by filing a notice under Docket No. 00-00523.


Melvin J. Malone, Chairman


H. Lynn Greer, Jr., Director


Sara Kyle, Director

ATTEST:


K. David Waddell, Executive Secretary